

(800) 473-6757

Call the  
**MOSTARS**  
Information  
Center

to speak with trained  
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newsletter  
as well as to obtain  
free information about  
state and federal  
student financial  
assistance programs.

(573) 751-3940

**September 2001**



**Missouri Student Assistance Resource Services**

**MOSTARS is the student assistance division of the Missouri Department of Higher Education.**

## Tax Relief Expanded for Higher Education Expenses

**MOSTARS  
News**

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**T**he Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), enacted on June 7, provides taxpayer relief in a number of areas, including higher education expenses. Key changes in taxpayer benefits for higher education expenses are summarized below.

### New Deduction for Qualified Higher Education Expenses

The new law provides taxpayers with a new above-the-line deduction for qualified higher education expenses. An above-the-line deduction generally refers to a deduction from gross income when determining the adjusted gross income. An above-the-line deduction is considered advantageous because it lowers adjusted gross income. Qualified higher education expenses are defined in the same manner as for the Hope Scholarship Tax Credit. In 2002 and 2003, a taxpayer with an AGI of \$65,000 or less (or

\$130,000 or less for married taxpayers filing jointly) is entitled to a maximum deduction of \$3,000 per year.

In 2004 and 2005, a taxpayer with an AGI of \$65,000 or less (\$130,000 or less for married taxpayers filing jointly) is entitled to a maximum deduction of \$4,000. A taxpayer with an AGI that is more than \$65,000 but does not exceed \$80,000 (more than \$130,000 but does not exceed \$160,000 for married taxpayers filing jointly) is entitled to a maximum deduction of \$2,000. A taxpayer with an AGI above these amounts will not be entitled to any deduction.

Taxpayers may claim a Hope/Lifetime Learning Tax Credit, or the new deduction for higher education expenses, but not both.

This new deduction is effective for taxable years beginning after Dec. 31, 2001, and before Jan. 1, 2006.

**See Tax Relief, page 7**



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This portion of the **MOSTARS** newsletter includes questions and answers about topics that our clients bring to our attention.

If you think there is a need for a published clarification on a particular topic, contact the **MOSTARS Information Center at (800) 473-6757 or (573) 751-3940** to discuss the topic.

If one of your questions is published, put yourself on the back for asking a question that may benefit other clients.

## For Your Convenience

An information box indicating subject matter accompanies each article in this newsletter.

This box also contains the name of the article's contact person (where applicable) and his or her phone number and e-mail user ID.

The user ID is now the firstname.lastname. The formula for e-mail addresses at the Missouri Department of Higher Education is as follows:

USER ID@mohhe.gov

Remember, you also can contact the **MOSTARS Information Center at (800) 473-6757 or (573) 751-3940**.

## Are four-year undergraduate, graduate, and professional schools the only institutions eligible for the multi-year feature of the Master Promissory Note?

**Y**es. At this time, only four-year undergraduate, graduate, and professional schools are eligible to use the MPN's multi-year feature. For students attending ineligible schools, a new MPN must be completed for each subsequent loan made for a different academic year.

## May schools not eligible for the multi-year feature of the MPN allow borrowers to obtain multiple loans for a single academic year under one MPN?

**Y**es. Guidance provided by the U.S. Department of Education in the Federal Student Financial Aid Handbook, Direct Loan and Federal Family Education Loan Programs Reference, indicates that students attending schools ineligible to participate in the serial loan feature of the MPN must complete a new MPN for each subsequent loan made for a different enrollment period. However, a regulatory technical correction published in the Federal Register on June 29 permits ineligible schools to make a new loan without a new MPN if the new loan is certified within the same academic year.

The Missouri Student Loan Program adopted this guidance effective retroactively to the school's implementation of the MPN. The MSLP is reviewing the operational implications of this change.

## When processing a School Certification Form electronically, must the school indicate that the loan will be a "new" loan under an MPN if the school is not aware of a previous MPN?

**N**o. The school needs to submit the loan as "serial" and guarantee and print. The MSLP has an MPN tracking process to determine whether a valid MPN exists at the time the loan is transmitted for guarantee. The GuaranTec system will search for a prior MPN loan. If no prior MPN is found and the loan is transmitted as serial and GP (guarantee and print), the system will generate an MPN. If a prior MPN is found and the loan is transmitted as serial and either GP or GO (guarantee only), another MPN will NOT be produced. This procedure is outlined in the August 2000 edition of the *MSLP MPN Policies and Procedures* manual.

## Why are some serial loans disbursed more quickly through ATOM than other loans?

**P**romissory note verification is required by the lender before ATOM loans will be invoiced to the lender for disbursement. Some lenders have requested ATOM staff to systematically fill a "Y" in the Promissory Note Verification field. Other lenders choose to manually check that they have a promissory note for new AND serial loans before the promissory note is verified. If you have a question about whether an MPN has been received by the lender, check with the lender to determine whether an MPN is on file for that particular borrower. It is ultimately the responsibility of the lender to ensure that a valid MPN is on file before disbursing the loan.

**A student's parents are divorced. Parent #1 applied for a Federal Parent Loan for Undergraduate Students and was eligible but unwilling to take out the loan. Parent #2 applied for a PLUS loan but was denied. Can the dependent student borrow an "additional" unsubsidized loan since one parent's PLUS loan eligibility was denied and the other parent was unwilling to take out the PLUS loan?**

**N**o. Since Parent #1 was eligible but unwilling to take out the PLUS loan, the student is not eligible for the increased unsubsidized loan amount. The parent that first applied must have been denied in order for the dependent student's unsubsidized loan limit to be increased to that of an independent student's. ★

## MOSTARS Develops Student Loan Web Information

**M**OSTARS has developed new student loan information for its web site at [www.mostars.com](http://www.mostars.com). Visitors can research a variety of topics and access various tools to learn about student loans. Topics include:

- ★ types of student loans,
- ★ student loan application procedures,
- ★ interest accrual,
- ★ options for borrowers having difficulty repaying their loans,
- ★ childcare provider and teacher loan forgiveness programs, and
- ★ the consequences of default.

Student loan resources and tools include:

- ★ the Missouri Student Loan Program privacy policy,

- ★ MOSTARS Student Financial Assistance Inquiry Online (see the related article in the August 2001 newsletter),
- ★ Mapping Your Future's online entrance and exit counseling sessions,
- ★ the loan repayment calculator, and
- ★ budget worksheets.

The student loan information is appropriate for borrowers with MSLP loans, loans from other Federal Family Education Loan Program guarantors, and Federal Direct Loans. ★

**MOSTARS  
News**

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# ATOM Lenders

as of 7/01

833810-50	A+Funds/Medfunds ★	Cleveland, OH	819564-50	First National Bank of Camdenton	Camdenton, MO
833471-50	AMS Education Loan Trust	Hyannis, MA	813768-50	First National Bank of Salem	Salem, MO
833730-50	American Express % MOHELA	San Diego, CA	806851-50	First Security State Bank	Charleston, MO
833289-50	American Express % SLMA ★	San Diego, CA	802844-50	Firststar Bank ★	Menomonee Falls, WI
817854-50	Arsenal Credit Union	Webster Groves, MO	804609-50	Firststar Bank – Lawrence	Lawrence, KS
804866-50	Bank Midwest N.A.	Kansas City, MO	833617-50	EFISI, Inc/Firststar as Trustee c/o BHESC	Austin, TX
800325-50	Bank of America (Arkansas)	Little Rock, AR	806858-50	Gateway National Bank of St. Louis	St. Louis, MO
806746-50	Bank of America (Kansas City) ★	Kansas City, MO	821132-50	Great Southern Bank FSB	Springfield, MO
818334-50	Bank of America (St. Louis)	St. Louis, MO	804657-50	Guaranty Bank & Trust	Kansas City, MO
806747-50	Bank of Belton	Belton, MO	823260-50	The Hamilton Bank	Hamilton, MO
806757-50	Bank of Kirksville	Kirksville, MO	823635-50	Hannibal National Bank	Hannibal, MO
806761-50	Bank of Monticello	Canton, MO	823261-50	Home Savings & Loan Association	Norborne, MO
813955-50	Bank of New Madrid	New Madrid, MO	829263-50	Jefferson Bank and Trust	St. Louis, MO
829370-50	Bank of Old Monroe	Moscow Hills, MO	819462-50	Kearney Trust Company	Kearney, MO
833796-50	Bank of Quincy	Quincy, IL	806873-50	Lamar Bank and Trust Co.	Lamar, MO
813989-50	Bank of Rothville	Rothville, MO	829440-50	Linn State Bank	Linn, MO
829217-50	Bank of Salem	Salem, MO	814008-50	Maries County Bank	Vienna, MO
827468-50	Bank of Washington	Washington, MO	819661-50	Mazuma Credit Union	Kansas City, MO
826147-50	Bank of Waverly	Waverly, MO	814668-50	MCM Savings Bank, FSB	Hannibal, MO
808857-50	Bank One Education Finance Group ★	Columbus, OH	814548-50	Mercantile/Firststar Bank	St. Joseph, MO
806856-50	Bank Star One	Fulton, MO	813981-50	Midwest BankCentre	St. Louis, MO
820696-50	Belgrade State Bank	Belgrade, MO	832681-50	Midwest Independent Bank	Jefferson City, MO
816050-51	Blue Ridge Bank	Kansas City, MO	806893-50	New Era Bank	Fredericktown, MO
806778-50	Cabool State Bank	Cabool, MO	824068-50	Palmyra Savings	Palmyra, MO
821496-50	Canton State Bank	Canton, MO	813967-50	Palmyra State Bank	Palmyra, MO
828826-50	Central Bank of Lebanon	Lebanon, MO	830060-50	Paris National Bank	Paris, MO
828130-50	Central West End Bank	St. Louis, MO	821154-50	Phelps County Bank	Rolla, MO
807807-50	Chase Manhattan Bank USA ★	Tampa, FL	829481-50	Poplar Bluff Federal Credit Union	Poplar Bluff, MO
826878-50	Citibank Student Loans	Rochester, NY	806919-50	Security Bank of Pemiscot County	Caruthersville, MO
813975-50	Citizen's Bank & Trust Company	Trenton, MO	806870-50	Show Me Credit Union	Mexico, MO
813979-50	Commerce Bank ★	St. Louis, MO	806773-50	smartFUNDS	Columbia, MO
814627-50	Commercial Trust	Fayette, MO	813766-50	State Bank of Slater	Slater, MO
806810-50	Community State Bank of Bowling Green	Bowling Green, MO	809081-50	Stillwater National Bank & Trust	Stillwater, OK
828768-50	Eagle Bank and Trust	Festus, MO	827310-50	Sun Bank of America	Ellington, MO
830005-50	Educaid ♦	Sacramento, CA	820564-50	SunTrust Bank	Richmond, VA
833599-50	Educaid % MOHELA ♦	Sacramento, CA	815961-50	UMB Bank, NA	Kansas City, MO
826986-50	Educational Employees Credit Union	Bridgeton, MO	806792-50	Union Bank	Kansas City, MO
819155-50	Farmers and Merchants Bank	Hannibal, MO	810698-50	Union Planters National Bank	Cape Girardeau, MO
829140-50	First Community Bank of Windsor	Windsor, MO	807176-50	Wells Fargo Education Financial Services	Sioux Falls, SD
820370-50	First Federal Bank, FSB ★	Kansas City, MO	820323-50	West Community Credit Union	Brentwood, MO
826931-50	First Midwest Bank	Poplar Bluff, MO			

★ These lenders require ATOM schools to use EFT rather than paper checks.

♦ Educaid requires an agreement with the school be signed before using them as an ATOM lender.

# ATOM EFT Schools

as of 8/01

022392	Allied Medical College	St. Louis, MO	Proprietary
031150	Arizona College of Allied Health	Phoenix, AZ	Proprietary
002449	Avila College	Kansas City, MO	Independent Four-Year
005532	Cape Girardeau Area Vocational Technical School	Cape Girardeau, MO	Vocational-Technical
002452	Central Bible College	Springfield, MO	Theological
002453	Central Methodist College	Fayette, MO	Independent Four-Year
002456	Columbia College	Columbia, MO	Independent Four-Year
002458	Cottey College	Nevada, MO	Independent Two-Year
020907-00	Cleveland Chiropractic College	Kansas City, MO	Professional
002459	Crowder College	Neosho, MO	Public Two-Year
006385	Deaconess College of Nursing	St. Louis, MO	Proprietary
002461	Drury University	Springfield, MO	Independent Four-Year
008862	East Central College	Union, MO	Public Two-Year
002463	Evangel University	Springfield, MO	Independent Four-Year
021642	Forest Institute of Professional Psychology	Springfield, MO	Professional
001443	Gallaudet University	Washington, D.C.	Independent Four-Year
009089	Hannibal-LaGrange College	Hannibal, MO	Independent Four-Year
002466	Harris-Stowe State College	St. Louis, MO	Public Four-Year
002468	Jefferson College	Hillsboro, MO	Public Two-Year
006389	Jewish Hospital College of Nursing & Allied Health	St. Louis, MO	Independent Four-Year
002473	Kansas City Art Institute	Kansas City, MO	Professional
020682	Lester L. Cox College of Nursing & Health Sciences	Springfield, MO	Vocational-Technical
002479	Lincoln University	Jefferson City, MO	Public Four-Year
004703	Logan University	St. Louis, MO	Professional
006666	Lutheran Medical College School of Nursing	St. Louis, MO	Proprietary
021802-00	Metro Business College	Cape Girardeau, MO	Proprietary
021802-01	Metro Business College	Jefferson City, MO	Proprietary
021802-02	Metro Business College	Rolla, MO	Proprietary
002484-00	Metropolitan Community Colleges	Kansas City, MO	Public Two-Year
002486	Mineral Area College	Park Hills, MO	Public Two-Year
007540	Missouri Baptist College	St. Louis, MO	Independent Four-Year
009795	Missouri College	St. Louis, MO	Proprietary
023040	Missouri Technical School	St. Louis, MO	Proprietary
002489	Missouri Valley College	Marshall, MO	Independent Four-Year
002490	Missouri Western State College	St. Joseph, MO	Public Four-Year
002491	Moberly Area Community College	Moberly, MO	Public Two-Year
022027	Ozark Christian College	Joplin, MO	Theological
030830	Ozarks Technical Community College	Springfield, MO	Public Two-Year
008552	Patricia Stevens College	St. Louis, MO	Proprietary
012500	Ranken Technical College	St. Louis, MO	Independent Two-Year
002499	Rockhurst University	Kansas City, MO	Independent Four-Year
002506	Saint Louis University	St. Louis, MO	Independent Four-Year
005426	Sikeston Area Vo-Tech School	Sikeston, MO	Vocational-Technical
030709	Southeast Missouri Hospital College of Nursing	Cape Girardeau, MO	Vocational-Technical
002501	Southeast Missouri State University	Cape Girardeau, MO	Public Four-Year
001848	Southeastern Community College	West Burlington, IA	Public Two-Year
002502	Southwest Baptist University	Bolivar, MO	Independent Four-Year
002503	Southwest Missouri State University	Springfield, MO	Public Four-Year
031060	Southwest Missouri State University – West Plains	West Plains, MO	Public Two-Year
010347	Stage One, The Hair School	Cape Girardeau, MO	Proprietary
025306	St. Charles Community College	St. Peters, MO	Public Two-Year
002504	St. Louis College of Pharmacy	St. Louis, MO	Professional
002512	Stephens College	Columbia, MO	Independent Four-Year
004713	Three Rivers Community College	Poplar Bluff, MO	Public Two-Year
002495	Truman State University	Kirksville, MO	Public Four-Year
003528	Union University	Jackson, TN	Independent Four-Year
002474	The University of Health Sciences	Kansas City, MO	Professional
025997-04	Vatterott College	St. Joseph, MO	Proprietary
002523	Westminster College	Fulton, MO	Independent Four-Year
002525	William Woods University	Fulton, MO	Independent Four-Year

## ATOM Statistics

### FFY 2001 Quarter 3

#### Disbursements

13,049

#### Amount Disbursed (net)

By EFT	\$16,439,430
By Check	\$3,044,793
<b>TOTAL</b>	<b>\$19,484,223</b>

### Cumulative: August 1995 to June 2001

#### Amount Disbursed (net)

#### Disbursements

580,539

By EFT	\$709,682,465
By Check	\$259,877,602
<b>TOTAL</b>	<b>\$969,560,067</b>



**Participation  
Lists**

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# Eligible Lender List Changes

To request an MSLP Combined Eligible Lender List, call the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

For more information, refer to the August 1998 issue of FFELPfacts. You can view a sample of the list in the October 1998 issue of the MOSTARS newsletter.

The list also is available online at [www.cbhe.state.mo.us/pdf/Indrlist.pdf](http://www.cbhe.state.mo.us/pdf/Indrlist.pdf). ★

## Added

**Corus Bank c/o National Education Servicing, OE 831548-00**

**Participation Categories: Sub, Unsub, PLUS**

Added July 16

**Midwest BankCentre c/o MOHELA, OE 813981-00**

**Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre**

Added July 25

**Midwest BankCentre c/o MOHELA, OE 813981-50**

**Participation Categories: ATOM, Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre**

Added July 31

## Changed

**Educational Employees Credit Union, OE 826986-00 and -50**

**New Name: Educational Employees Credit Union c/o MOHELA**

**Participation Categories: ATOM, Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre**

Changed July 18

**Educational Employees Credit Union, OE 826986--01**

**New Name: Educational Employees Credit Union c/o MOHELA**

**Participation Categories: PLUS, PLUS Pre**

Changed July 31

**Educational Employees Credit Union, OE 826986-51**

**New Name: Educational Employees Credit Union c/o MOHELA**

**New FICE Lender Name: Educational Employees Credit Union c/o MOHELA**

**New FICE Lender OE: 826986-50**

**Participation Categories: ATOM, Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre**

Changed July 31

**Tax Relief, from page 1****Student Loan Interest Deduction**

The following provisions are effective for interest paid on qualified education loans after Dec. 31, 2001:

- ★ Statutory changes eliminate the 60-month limit in which interest paid on a qualified education loan is deductible.
- ★ The income levels at which the maximum yearly \$2,500 deduction may be taken are increased. A single taxpayer with a modified annual gross income of no more than \$50,000 and married taxpayers filing jointly with a modified AGI of no more than \$100,000 are eligible for the maximum deduction.
- ★ The income level at which a benefit reduction or “phase out” occurs is increased. The student loan interest deduction will be phased out for a single taxpayer with a modified AGI between \$50,000 and \$65,000 and for married taxpayers filing jointly with a modified AGI between \$100,000 and \$130,000. These ranges will be adjusted annually for inflation after 2002.

**Employer-Provided Education**

Employer-provided educational assistance may be excluded from an employee’s income. The new law makes the exclusion permanent and extends it to graduate as well as undergraduate education. (The current exclusion expires for courses begun after Dec. 31, 2001.)

**Prepaid Tuition Programs**

The definition of a “qualified state tuition program” is expanded to include certain private institutions’ programs. Additionally, program benefits (i.e., the value of courses provided to students) may be excluded from gross income. The statutory changes eliminate the penalty on distributions not used for higher education expenses. Instead, an additional tax of 10 percent

applies to distributions from prepaid tuition programs that are not used for education expenses.

These changes are effective for taxable years beginning after Dec. 31, 2001, except for the gross income exclusion for prepaid tuition programs established and maintained by a non-state entity, which is effective for taxable years after Dec. 31, 2003.

**Education IRAs**

For taxable years beginning after Dec. 31, 2001, provisions related to education IRAs are modified as follows:

- ★ The annual limit on contributions is increased from \$500 to \$2,000.
- ★ The definition of “qualified education expenses” that may be withdrawn tax-free is expanded to include elementary and secondary school expenses.
- ★ The contribution phase-out range for married taxpayers filing jointly is increased to a modified AGI of \$190,000-\$220,000, twice the range for single taxpayers.
- ★ Taxpayers will be allowed to claim the Hope Scholarship Tax Credit or Lifetime Learning Tax Credit in the same year in which an education IRA distribution (on behalf of the same student) is excluded – provided the distribution is not used for the same expenses for which the Hope or Lifetime Learning Tax Credit is claimed.
- ★ Contributions for any year may be made by April 15 of the following year.

MOSTARS will continue to monitor for additional clarification from the Internal Revenue Service as the IRS makes more information available to the public. Meanwhile, questions about the new tax laws should be directed to the IRS or a tax professional. ★

# CommonLine<sup>SM</sup> Transactions Clarified

**O**n April 23, the Missouri Student Loan Program and Guarantec implemented CommonLine<sup>SM</sup> version 4 change transactions on its mainframe system and in e\*CLIPS<sup>TM</sup>. As the use of CommonLine<sup>SM</sup> progresses, future MOSTARS newsletter articles will clarify transaction processing issues that have come about since its introduction. This month's article focuses on the school refund transaction.

## School Refund

The school refund (CommonLine<sup>SM</sup> @1-11) transaction is used to report the return of Federal Family Education Loan Program funds to the lender when a Return of Title IV calculation has been computed for a student who has ceased enrollment after attending at least one class. CommonLine<sup>SM</sup> designated the school refund specifically

for this purpose by making the Student Withdrawal Date a mandatory field for this transaction. If the

entire disbursement is to be returned due to student withdrawal, the post-disbursement cancellation/reissue (CommonLine<sup>SM</sup> @1-10) transaction is recommended. In all other cases in which a disbursement must be reduced or cancelled (e.g., overaward, enrollment status change, or borrower request), either the pre-disbursement cancellation/change (CommonLine<sup>SM</sup> @1-09) or post-disbursement cancellation/reissue transaction must be performed. ★

**ATOM  
News**

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The Missouri Department of Higher Education makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. Hearing/speech impaired can call (800) 735-2966.



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**FIRST CLASS**

MOSTARS, the student assistance division of the Missouri Department of Higher Education, publishes this newsletter to inform Missouri's higher education community about current issues concerning early awareness and outreach, consumer information, state and federal student financial assistance programs, and student loan default prevention.

Ms. Marie Carmichael. . . . . CBHE Chair

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Ms. Lynn Hearnese. . . . Assistant Commissioner for  
Student Assistance and Services